

**MINUTES**  
**Education Reform Commission – Funding Formula Committee**  
**September 23, 2015 – 10:00 AM**  
**State Capitol – Room 450**

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The following Funding Committee Members were in attendance:

Kent Edwards, Terry England, Barbara Hampton, Jack Hill, Charles Knapp, Cynthia Kuhlman, Lindsey Tippins, Alvin Wilbanks and Dick Yarbrough.

Tom Dickson was absent.

**Welcome by Charles Knapp, Chairman**

The September 23, 2015 meeting of the Education Reform Funding Formula Committee was called to order by Dr. Charles Knapp.

Dr. Knapp welcomed committee members and guests.

**Approval of Minutes from August 27, 2015**

The minutes from the August 27, 2015 meeting were disseminated. A motion was made and seconded to approve the minutes as presented. The motion was unanimously approved.

**Opening Comments from Dr. Knapp**

Since the last meeting we have been working on refinements, and staff have come to understand hundreds of different issues that are involved in putting a funding formula like this together. And, we have been working on those refinements. In various places in the text it talks about my term “preliminary consensus”. Again, I would like to be very clear with members of the Commission and members of the public, please do not try to read anything more into our meetings. We have not reached a decision yet. In open forums like this, sometimes people misinterpret discussions as being decisions. So, please do not do that. Preliminary consensus does not mean anything more than that, other than that’s the direction we’re headed at this point. Our purpose today is to go back over the model to look at some of the details and nuances that the staff have had to make assumptions about and more explicitly lay out those assumptions and gather comments from the commissioners. We are scheduled to meet again as you know on October 2<sup>nd</sup>, which is only a week from Friday. By that time, based on comments from the commissioners we should be able to get further down the line in terms of the amount of detail that we have. That’s our major purpose. If we can get through the model, then what we will do is turn to other issues. I think the staff has done an excellent job on the proposals of those ten or so other issues that we’re looking at that’s on your agenda.

The starting point for all of this is the first page of the student base model by Susan Andrews and Martha Ann Todd.

**Overview of Proposed Funding Formula**

Dr. Susan Andrews led with a discussion on Weighted Student Characteristics.

Usually we start with the base, but we will start with weighted student characteristics. We would like to note again that a student in any grade may have multiple characteristics. So, although they would earn

the base, they would earn additional funding if they have any of the characteristics that we're going to review again today.

### **K-3**

We believe the Funding Committee has reached preliminary consensus. K-3 would be weighted to reflect the importance of the state priority that all children will be reading on grade level by 3<sup>rd</sup> grade. So, the weight adds that additional funding \$359.27 per K-3 student. This would allow districts to have some support for research-based curriculum, paraprofessional support, reduce class sizes in the early grades, and resources to support the initiative of having children learn to read by grade 3.

Susan Andrews: Are there any questions on K-3?

Lindsey Tippins: Why did the weighting do down from 0.26 to 0.1651? In my opinion there is not a more important task we face in the state than that of literacy in the 3<sup>rd</sup> grade and math efficiency in 5<sup>th</sup> and 6<sup>th</sup> grades. I am not sure about reducing the weighting on K-3. We're going from \$544 per student to \$359 per student. I really think we need to match the funding to whatever the overall state priorities are; I don't know if we have a greater state priority than what we're doing in our elementary schools. On a side note, if you're talking about math proficiency in the 5<sup>th</sup> grade, you have 4<sup>th</sup> and 5<sup>th</sup> grade levels that have no additional resources.

Susan Andrews: As you go through you will see where there have been the increases in the weight. Of course you have to take money from one area to provide it in another and balance it out. It would be up to the consensus of this committee if that weight increases. If so, we will increase the weight and adjust it relative to the other weights.

Lindsey Tippins: Was there a rationale behind that cut?

Susan Andrews: As we talked about state priorities, again the CTAE priority of having a student college-ready and career-ready went up. You will see that gifted student weighting went up slightly to match the funds that they're currently earning in QBE. We adjusted those weights, to bring to you today another iteration, that's why that funding went down.

Martha Ann Todd: We also added the poverty weight that has not been added before and the funding formula before. All of these weights as we've said before are relative and the dollar amounts attached to them today are as the model exists today and they can be adjusted. Another thing that we're considering is that many of these students as Susan has already point out are going to have multiple characteristics that draw weighted funding. It's really difficult to look at one weight and one dollar amount and get a clear picture. Not arguing with your statement about the priority and importance of this particular piece, we really have to think about the big picture of the student as a whole.

Charles Knapp: As I understand part of the redo of the weighting was so that, for example CTAE would show approximately the same amount as the previous and the same thing with Gifted. But that does not seem to apply to K-3. I think that may be Sen. Tippins' question. I understand Martha Ann's point that you cannot just look at one weight and make sense out of it, but also at the same token we have got to be consistent with that argument. Those students are going to also carry additional weights. So, as I understand it, I heard this directly from the Governor that's one of his highest priorities. I would like to hear from the rest of the commissioners about that and about the argument about CTAE and Gifted and whether we need to leave those. We cannot make the argument to leave those in the same dollar amount that was under QBE because they're also going to be weighted.

Susan Andrews: Actually the CTAE earns more in this model than QBE, and that's certainly a place we can pull from to increase the weight on K-3. The CTAE amounts in QBE were based on the segments in which a student took a CTAE course, usually we were paying for two courses by segments. In the new model we are paying by enrollments. So that increases the CTAE so there is more money in this model for CTAE, for those workforce initiatives than in QBE. So if the consensus is to raise that particular K-3 amount then we can reduce the dollars in CTAE and still have the amount that was in QBE.

Jack Hill: What was gifted before? It is .64 now. Did it change?

Martha Ann Todd: In the last meeting the gifted weight was 0.1058. It is significantly less than QBE is currently funding gifted. The adjustment was made to try to get to approximately the same amount of funding that gifted has currently in QBE.

Kent Edwards: Again when you advocate for one position or the other, it's about establishing priorities. If we're going to look as a state at trying to have literacy by grade 3 and, I understand the importance of being college and career ready, I'm not sure you'll have an opportunity to work with those children in a college and career way at the high school level if they don't have literacy at grade 3. So, I'm not advocating to going away from CTAE, I'm simply trying to prioritize in my mind. We have to have them literate at grade 3 to have any flexibility with any funding given to us at a CTAE level.

Dick Yarbrough: What I heard in our original meeting I think was that the 3<sup>rd</sup> grade reading and 4<sup>th</sup> grade level was the highest priority? My second question, is there a way to aggregate all of that and what is generally K-3 will end up being weighted in the target number?

Martha Ann Todd: On page 7, the first example shows that, however it will depend on the student characteristic. The first four examples are K-4 examples that will show you the aggregate funding for an individual student with various characteristics. I think this gives sort of an overview of what might be earned and it can vary depending on the student's characteristics and what weight and associated dollar amount we have with those characteristics.

Jack Hill: It seems to me in terms of looking at 3<sup>rd</sup> grade that to have a gifted amount that high, when we're trying to raise them all up in the 3<sup>rd</sup> grade, seems misplaced. When you want every child to be able to read by 3<sup>rd</sup> grade and that's one of our major goals, somehow we shouldn't be focusing on the gifted ones who are apparently doing pretty well. Part of that funding should be focused on helping to bring up all the kids we're trying to help.

Charles Knapp: What I'm hearing is that in the next iteration that the committee would like to see an increase in the K-3 weight. And knowing that there's no free way to operate here that's going to require some reductions elsewhere. I would suggest as Sen. Hill said that the Gifted and the CTAE weights are the places we should go to get that to increase the K-3 weight. Please don't misinterpret, we love the gifted program, but like we've made a case in the K-3, they are also getting funds from other weights and formula. So, I think we can get a little ground there and get the K-3 weight up to a level we are more comfortable with. If I'm not accurately reflecting the subcommittee, please let me know.

Weighted earnings for one student in the proposed 9-12 formula is \$159.13. The 9-12 weight would assist districts in paying their dues for international baccalaureate, the professional learning, and advance placement.

## **CTAE**

When you get to CTAE, we've had a lot of discussion about this. We want to try to incentivize the state's workforce initiatives and there are some of the courses there such as manufacturing, bio tech, advanced healthcare, robotics, welding, culinary arts, and agriculture classes that are very expensive to run and to have the equipment for. That is why we began raising the weight for CTAE to make sure we had enough money in there so districts could provide those courses that the state knows that we need as far as workforce initiatives. The CTAE earnings now are \$442.30. We know that some CTAE courses do not have a huge cost, such as finance or marketing - those that do not require extremely large labs or expensive equipment. As we began to talk about that, we talked about should we tier CTAE. Martha Ann Todd will talk about tier CTAE within the weights.

Martha Ann Todd: What we talked about briefly, and we can model this out if it meets the approval of the committee. We talked about looking, not as an additional weight, taking the existing weight for CTAE and dividing it and having 1/3 of that weight perhaps apply to those low costs courses that we know you have to have a text book, a teacher, but you don't have to have expensive equipment that has to be purchased and maintained and setup in a lab. Marketing might be an example. And then applying 2/3 of whatever the existing CTAE weight to higher cost courses. For example, the automotive technology, the manufacturing, the robotics, the bio tech and welding courses are very expensive to setup the teaching environment and maintain that equipment. We haven't modeled that yet, but if that is of interest to the committee, we can certainly do that. It makes sense to us. There's one question that we discussed about the CTAE weight. In this model we are providing the same funding for a student who is taking one CTAE course that you would be providing for a student that's taking five. And again there are costs associated with setting up the labs and the ability to teach these courses no matter how many students you have in there or how often they're taking it. We feel like the tiered way will help us direct support to those high cost, high demand areas and not over-incentivize or support the ones that are lower cost or less demand career fields.

Charles Knapp: I want to speak favorably of that. I think the more we can use these funds that are available to very carefully match up against high demand areas in the state, the better off we are. I keep hearing from employers that they cannot find workers. In my mind this addresses that from a funding standpoint.

Terry England: The only thing I would caution or maybe a different way of looking at it is to base it on what the high cost of labs are versus the low cost labs. One thing we do not want to create is going after the high demand career initiatives. I fully support doing that and I understand the need for doing that. But at same time we don't want to deprive those other high cost labs that are currently meeting the employer's demand or need for employees and then all sudden we look back and in 4 or 5 years from now and realize we have fallen behind and now that area is going to be a high demand. It might be a good idea to look at high cost labs versus low cost labs in order to keep that from happening. You're going to have some programs that are currently meeting the industry demands and you do not want to take away from them and cause a shortage.

Martha Ann Todd: Someone will have to differentiate between the two and we will have to set priorities there and a definition for which those are, and we will have to make some assumptions in modeling by getting some data from DOE about what students are enrolled in what courses. We will start by making some assumptions.

Erin Hames: In doing that, Chairman England, in which I agree with that point, I am thinking about the conversation that we have all had about the cost of these programs and trying to find efficiencies there with the cost. So, the only thing I think we wouldn't want to do is in putting the weight toward high demands. Maybe it needs to be combined with some encouragement for districts to find efficiencies to partner with their technical college system or they can use their career academy to balance that because you don't want to set up the funding in such a way that it encourages high schools to put in high cost programs in every high school when there are other programs in close vicinity that have that equipment.

Terry England: I don't disagree. To me, the local school system is the one that's charged with educating employees to serve their local area. I think we still have to rely on that local school board to know what the need is locally. If we look at business education, for example, that would be considered low cost lab versus a welding lab, if there's no one to hire those welding students.

Erin Hames: I think you're right on the high cost program, but I think we have to balance that with encouraging efficiencies there, and encouraging partnerships there and not trying to replicate high cost equipment in every high school because that is not the most efficient and best way to serve the kids.

## **GIFTED**

We talked about gifted and we looked at what gifted students would earn in QBE. We tried to model it so that those students earn the same amount in the new formula; that's the rationale behind the increased weight there.

Lindsey Tippins: On the gifted, under QBE we have 99,000 fulltime students enrolled. And in our proposal we have 178,000 students enrolled. The average number of courses on segments then will be somewhere between 2 and 3 (2.5), but we're costing it out at what it would be for six full segments on the total enrollment, correct?

Susan Andrews: Yes

Lindsey Tippins: Do we need to correct that based on that current number? Are we assuming that all 178,000 students will be taking an equivalent of six segments a year?

Susan Andrews: When you're looking at enrollment you're funding that whole child. And the same thing with CTAE, it put us over the amount than in QBE and I think that we're within \$5 million dollars of what QBE was earning, what gifted students were earning in QBE. Yes, you are right in that we would be funding them for gifted all day long actually, and that would give districts the flexibility to serve those students in other models than they're serving them today.

Martha Ann Todd: Another thing that it would provide is funding to incentivize districts to apply the gifted model of instruction in courses that include students that are not officially designated as gifted, which research has shown is a very good model to increase performance and expectations for students. That's another consideration, but if we're going to go back and look at the K-3 weight, and if we're going to adjust that up we're going to have to adjust some of these other weights down. This is going to get

some adjustment, so it would not be that you're funding the equivalent of six segments once we do that; only part of that.

### **STUDENTS WITH DISABILITIES**

We have been gathering data from every district and charter school to determine how many students they have in each of these categories. If we didn't get the data from the district, we used the state average to model. That did not seem to be working with the charter schools so we used the average of just the charters in their model. As we talked to people around the state, we heard a lot of support for this model in using time rather than disability, and we believe it will be a more transparent and simpler approach to funding students with disabilities.

Category A students would be those students that are high incidence students, all the way down to Category E, those very expensive students who have additional paraprofessionals all day long or full-time nurses all day long or a very expensive piece of assisted technology. We believe this would provide adequate funding for those students in each of these categories.

Dick Yarbrough: Who identifies these students?

Susan Andrews: They have an individual education plan written at the local level; there are specified people that have to sit in on that committee, the current teacher, the parent, the school psychologist, and any support personnel. They come together and design that individual plan for each of those students. They determine in that meeting how many minutes, what kind of service, what kind of technology, what kind of related services and strategies for transportation in getting them to those services.

### **ESOL & ECONOMICALLY DISADVANTAGED**

The weighting you have in the model would add \$243.48 to ESOL students. That calculates to less money than was earned in QBE for ESOL students.

We have the economically disadvantaged weight. We looked at how much money would be earned with those two categories. It's actually 18M dollars more than what's earned in ESOL in QBE. A lot of our students that are ESOL would qualify for some of these other weights, too, and so the districts would have that additional money to support those students. We do know that ESOL and economically disadvantaged students are very much able to learn and succeed in school. We have examples of that all over the state and we just want to make sure that we're supplying the resources for districts to provide that extra time and extra support for both of those categories.

Martha Ann Todd: Which is particularly important in the early learning areas where you have students who have language deficiencies and who lack background knowledge will need to apply a lot of that funding in that K-3 area in order to support literacy for these students.

Susan Andrews: That concludes the discussion of all of the weighted characteristics. What we've heard you say is that you want us to raise the K-3 weight and that you like the tiered weighting of the CTAE model, and to revisit the gifted weight. Please let us know if there's anything else you would like for us to revisit as we continue to refine the model.

Charles Knapp: I say Gifted and CTAE needs to be revisited. If K-3 is a higher priority, that needs to be reflected in this revision in my view, as well as the other commissioners here.

## **STUDENT FUNDING BASE**

The student base in this model earns \$2,175.70, which includes the \$52.60 from the T & E model for those districts who earn less than the state average for teacher salary in T & E. The consensus of the committee was to take that \$88 million dollars and spread it across all districts in the base and so that added \$52.60 to the base. Now we're at \$2,175.70 in the base.

Charles Knapp: Does that get us back to looking at the summary of the student based model?

Susan Andrews: You have on the summary the student enrollment at the very top of the page and the base weight of \$2,175.70 that's reflected on the spreadsheet.

Charles Knapp: I have a few questions about the summary. This number keeps moving and that's a natural part of the process. Now based on the current model we are \$66 million dollars and change out of balance. Is that correct? And, we've got \$88 million dollars that's being distributed into this model from the T & E.

Susan Andrews: That amount will change as we add in equalization and the T & E and look at that as a separate entity as a hold harmless, that amount will change.

Charles Knapp: Last week it was \$52 million dollars. If you add all those up together, that is about \$250 million dollars. We just need to be aware of that as we move forward.

Lindsey Tippins: On page 6 isn't the current base \$2400?

John Dunn: If you take out the teacher retirement it takes it down to \$2215. In our current model teacher retirement has been removed and funded separately. When you do the same thing out of QBE, it takes the base down to \$2215.

Lindsey Tippins: The \$2215 is the current model with the teacher retirement removed?

John Dunn: Yes

Susan Andrews: On page 9, this is a change from what you've seen in previous meetings. As we look at the base funding, we realized we had those central office costs in the base. So in large districts, as your enrollment increased in the model, we were funding very large central offices. This model is of course to fund students. Therefore, we pulled the central office out of the base. And, what we're proposing here is that we would fund central offices as we do today – the cost of one superintendent, one secretary, one accountant, and two assistant superintendents based on enrollment up to 10,000 students. As you can see in the narrative how districts would earn central office funding based on enrollment. This is exactly the way that it is currently funded.

## **T & E**

We used the exact proposal that the committee reached preliminary consensus on in previous meetings. You will see on the spreadsheet the term "T & E per committee" \$2 million dollars was there. That's the state average teacher salary multiplied by the number teachers in the state. The 2<sup>nd</sup> bullet indicates the \$88 million dollar amount that would go to districts who currently pay above the state average teachers' salary. The 3<sup>rd</sup> bullet talks about those teachers opting in to a new model or new teachers coming into the profession on a new salary model developed by the district or approved by the state or developed by the state.

Dick Yarbrough: There is a lot of confusion and I think misinformation about this issue. Help me to understand, if you decide you want to grandfather into the new system, but the system decides they're going to change, what's happens to you? Do you stay even though the system goes to one of these school charter contracts and you still want to be grandfathered in the old system?

Susan Andrews: Districts have the flexibility through their charters and contracts to move away from the state salary schedule as part of the agreement that many districts have in their contracts and every district has in their charter system. And so if that district decides that under that contract they want to move away from the state salary schedule, they can.

Dick Yarbrough: So the teacher would not be grandfathered in?

Susan Andrews: However, they would be grandfathered in as far as the funding that district receives from the state. In other words, the district will still receive the money for T & E for that teacher; however, how the district chooses to use it would be up to them under their contract and their charter.

Erin Hames: That's current law that has been in place for seven years.

Susan Andrews: That flexibility has been there for a while. We have not seen districts move away from the T & E. We know Marietta and Fulton have begun that process and we believe others will follow them as they see successful models implemented. I think it will be a slow process and I think over time as new teachers come in and they have different needs and desires that we will see a change.

Dick Yarbrough: When we say grandfathered that is probably more absolute?

Susan Andrews: Grandfathered into how the money is earned.

Martha Ann: I also think we need to be cautious about the communications and not to create panic because the changes that we've seen in the districts that are working on these so far have been very thoughtfully done. To be successful a district is going to have conversations with the teachers in the district to build a model that is workable in that district and that they have buy-in from the teachers in that district.

Dick Yarbrough: We and those who are following need to be careful how we say this.

Barbara Hampton: I would like clarification on the 3<sup>rd</sup> bullet point regarding T & E..."for all new teachers on the state salary schedule." If their district is not opting in the existing T & E schedule, there's nothing to opt in to. Is that correct?

Susan Andrews: No. In to the new model their district approves. The district gives them the option to stay in the new model.

Terry England: If they chose to remain as a status quo system, or whatever our new terminology is, they would still currently earn based on current T & E. On the proposal here, we're telling them T & E is no longer an option for new hires. You can use T & E if you wish in your separate performance pay metric you can account for that as a portion of what that compensation model will be but T & E is no longer an option for new hires. But for a teacher that is currently in the system, if they're in let's say their 5<sup>th</sup> or 6<sup>th</sup> year it may be more advantageous for them at this point to switch over to the new system versus staying in the old system. A high performing teacher that is 20 years+ (depending on what that pay metric looked like) may like an opportunity to switch over to the new system, as well.

Dick Yarbrough: How many status quo systems do we have in the state?



Susan Andrews: Two

Barbara Hampton: When you say any existing teachers, you're only talking about the ones that are in a status quo system?

Erin Hames: Or districts that have not changed their compensation system. A number of systems that have either chosen strategic waivers or charter systems, they have not waived the salary schedule. Most of those districts are still implementing the current salary schedule. For teachers in those districts they would have the option to stay within that old schedule to be grandfathered into that. An important further definition of grandfathered, which means they would continue to receive increases for additional years in the classroom or additional degrees earned. Or, they may choose to opt in to this new salary schedule. It's somewhat confusing because one is looking at how the state is allocating funds to districts and what is the basis for that allocation. And then it's under current law which districts have the ability through contract to change the way they are compensating in the districts.

Barbara Hampton: I am getting concerned by the terms teachers getting to choose. It's a funding formula and that's how the district is going to earn the money. Basically it is whatever their district is doing in terms of the salary structure.

Martha Ann Todd: Should we say for all teachers?

Erin Hames: I think we need to be careful and not to imply that every district that has chosen to contract with state has radically changed the way they are compensated.

Martha Ann Todd: I think we're talking about how they earn the money.

Erin Hames: Perhaps using, "The state allocates funds to the district based on....."

Lindsey Tippins: So the teacher makes the option, but has no control over how they will be paid? But, their choice drives how the state is going to fund the local districts?

Martha Ann Todd: The section of that bullet will clarify that if you are a teacher who is currently employed by a district you will be funded based on the current salary structure in the T & E model. If you become a new employee at whatever point in time this takes effect you will be funded based on the state average salary.

Lindsey Tippins: The district will be funded. My question is, when the employee makes the option that controls how the state funds the local district? Do they opt in and opt out now?

Susan Andrews: Districts have the ability now and they have had the ability to choose their compensation system for teachers that have the option to opt in or opt out.

Lindsey Tippins: When we enact this, every teacher in the state of Georgia, the teacher will not make a decision as to whether they will stay under the old salary structure versus the new salary structure?

Terry England: Current teachers will.

Lindsey Tippins: People may be making an assumption that if the state is going to fund me and my local district at \$51,000 instead of \$38,000, I would be nuts not to do that. But there's no guarantee what they will make that amount. This is a bit ambiguous. Also, from a financial planning standpoint, the average salary (if they opt in) have we projected the cost of the state of what it's going to take in additional funding for the teachers?

Terry England: No, because that average is just what we're funding the classroom. That does not become the new minimum salary. The new minimum salary will be whatever that local system has decided it to be. Therefore, it could be substantially less, and that would be a local decision. We may put a floor by indicating you will not pay below this mark. If that current teacher opts in to the new system that will change the way the local system earns their allotment for that position. If the current teacher stays in the current T & E schedule as it is today, that system will continue to earn just as it has today.

Barbara Hampton: I think the confusion comes when the district decides to change its compensation model. What Martha Ann is saying is so far when a district has decided to change its compensation model they have all given their teachers the option to opt in that compensation model. So you could stay on T & E or you could go this new way.

Martha Ann Todd: You can stay on your current salary or you can go in this new way to earn salary in a different way.

Erin Hames: Remember that describes when they said they are putting increases for the effectiveness but they kept everybody at the current schedule. From an allocations standpoint, that's not what we're talking about doing. We are actually talking about allocating the funds based on the overall salary schedule, meaning that they are continuing to receive for the steps and for additional degrees earned.

Barbara Hampton: I think the disconnect between all of our understanding is that we all get how the state is going to send money down. On the new teachers it's going to be on the average salary and existing teachers it will be on T & E. But what the local school system does in terms of setting a new salary structure, I think there might be a disconnect as to what the teacher does.

Terry England: At that point that would only affect the new hires. Those existing teachers will have the opportunity if they look at the new schedule and decide to opt in to the new system.

Martha Ann Todd: On the district level, they currently have the flexibility in charter and IE<sup>2</sup> contracts to waive the salary schedule and to restructure their salary payment, if they choose to. I don't think you're going to find a district across the board saying next year we are paying all this way. Although they have the flexibility to do that. It's going to be a slow process.

Dick Yarbrough: I think there is a communications issue. In the teaching environment, this is a high stress situation. I don't think they understand what we're trying to do. I think they would understand grandfathered. This seems more absolute.

Martha Ann Todd: We're grandfathering the earnings to the district. I think that's the clarification we need to make.

Dick Yarbrough: We need to say that.

Charles Knapp: I think we have to lose the term grandfather by large because I think people tend to apply that individually when really it talks about funding to the district.

Lindsey Tippins: It would help me to see apples to apples on the funding model. It still looks to me like if the teacher is making less than the state average, if they opt in to the new system that's going to drive the amount of money that the state funds that local district.

Susan Andrews: The teacher opts in to the local, not the state.

Kent Edwards: You mean they do not have an option as to how the money is earned?

Lindsey Tippins: I realized every new teacher that comes in state, after that the district is going to earn \$51,000. So if we hire them now at \$34,000 a year, we're going to automatically go and pay at \$51,000. But, of those teachers we that currently have in the system now they have ability to opt in. My question: what are they opting in to? Does their option drive the financial responsibility of the state if the state is currently funding them to the local district at \$38,000 a year or whatever the amount. If they opt in to the new system, and that one teacher who be compensated at \$51,000, does that have a budgetary impact on the state for those that opt in that are less than the median? Those that are above the average are in the hold harmless. But those that are below it will drive the budgetary implication.

Susan Andrews: That would be for those teachers between one and seven years.

Lindsey Tippins: I say more than that. On a T4 where do you hit \$51,000?

Susan Andrews: You hit \$40,000 at about year seven.

Martha Ann Todd: Please allow me clarify; are we saying we want to allow teachers to have the option to choose how they generate funding for the district? Or, do we want to incentivize the districts to develop new compensation models that would then allow the teachers to opt in at the local level? Do we want to do both?

Lindsey Tippins: It looks to me like the teacher is exercising an option that has no personal impact on them, but only drives what the state is going to be paying to that district. That's the reason I would like to see a model. I understand brand new teachers coming in will be at \$51,000 and we're going to take past experience to see how many we will hire over the years, to see the budgetary impact. How many would we have below the average point that would choose to opt in that would increase the state's financial responsibility for additional funding than we have currently?

Terry England: It's not going to cost anything because you're going to fund every student in the base at the \$51,000 level. The hold harmless we've talked about is just going to be for those teachers that are currently above that line. It would not matter if someone jumps in the new program, we're still funding at that base level. The number you're looking for Lindsey is built into the base already.

Martha Ann Todd: Because we're funding the student, not the teacher. So that consideration for the state average is already built into the base.

Lindsey Tippins: What is the effect of the teachers below the average after exercising an option?

Martha Ann Todd: I do not see there is a point at the state level; the point would be at the district level if the district has a new model that it is rolling out and it's going to hire all new hires under that model and then existing employees have the option opt in.

Barbara Hampton: And that local LEA may have a salary structure that if you are a new hire they are not going to pay them \$51,000. Even in a new model they pay them \$35,000 and you get a performance type. I do not think they're going to opt in and start getting paid \$51,000.

Terry England: In order to minimize upset on this issue, would there be a way for us to make a recommendation to move forward and say if a system is not already opting for the new model that from that point all the existing teachers would be grandfathered and nothing would change unless they change it themselves?

Martha Ann Todd: I think what you might want to think about in the 2<sup>nd</sup> section of the T & E where we revised the proposal that we discussed the last time into how they earn the funds and the discussion about the requirements in the new model. We already said they're going to choose a state model or develop their own and submit it for approval.

Terry England: We need to make it clear that we intend for current teachers in the classroom to be protected. I understand under IE<sup>2</sup> and charter system they can already do that, but if they chose not to do it, they chose not to do it because they chose locally not to upset their counterpart. They have not thought through the student model at some point all new hires going under the new system. What I'm basically saying is that if you haven't already created one of these models, this model only affects those new hires.

Erin Hames: Chairman, I think there is actually something you can do that can that would actually be stronger in protecting teachers. I think is that you can say as districts have this flexibility that current teachers cannot receive the pay cut, they have to make at least as much as they're making.

Terry England: But they're still protecting their livelihood based on what that current T&E schedule is and the future earnings.

Erin Hames: Are you saying you would put that in place if they don't adopt the new salary schedule?

Terry England: No, I'm just saying even if they do and they have not by this point, from that point forward if you have not already adopted it and started moving forward by a certain date, they would be protected.

Martha Ann Todd: Unless they chose to opt in. In addition to the effectiveness requirement already in this proposal is that existing teachers would only be moved into the new model if they opt in.

Erin Hames: What does that mean for Fulton County?

Terry England: Fulton County has already come up with their plan.

Erin Hames: You're saying that they have not developed a new plan by this date then all teachers in your district, unless they opt into a new salary schedule we will continue to earn based on the current existing T & E schedule.

Charles Knapp: I think we need to put some language in the proposal.

Dick Yarbrough: I strongly recommend we do that. We need to say this in a way that's better understood.

Susan Andrews: I think as we worked on this we were very much aware of the charter laws where they have that flexibility.

Erin Hames: Kent, are there unintended consequences that concern you as a superintendent? I know that's putting you on the spot, but I'm trying to think through what we're not thinking about for those charged with leading districts.

Kent Edwards: I think it takes some time and it's a good marriage. I agree with Dick. Unfortunately we are not the only ones that are communicating; we're not the only ones that have to wrap our minds around this. Being a local system, I've already addressed all of our staff members based on this particular component of this conversation because of the very thing that Dick says, just making sure that

they understand. To Terry's point they want to make sure they're being protected. That protection comes, if allowed in a flexible model by that local system. You gave us local flexibility and the opportunity to involve, for instance whether it's IE2 or charter system to involve local governments and so you have to have that conversation but there has to be a trust factor and it can't be imposed upon us. The flexibility piece is that we would take care of our employees. We keep talking about we have this flexibility, and then we say but no one's doing anything You have to give us time to flesh that out to see what works for us and marry the enormous flexibility you're given us, which we embrace, to what the best fit is for our respective systems. That's customization and that's what we want to do. We protect that while we consider, in a collaborative way, moving forward to better address compensation models as they line up with student achievement. I think we've accomplished that. But don't get tied up in the metrics and somehow unnecessarily tying up earnings of a system by a decision made at the teacher level, because that's not what we're talking about. How we compensate is what we really need to communicate. To Dick's point, if we can very concisely communicate those talking points we will be better served for it. But, if we get outside of the context of what we're talking about, it causes a great deal of going back in that system and trying to back that up.

Lindsey Tippins: We said the \$51,000 is already covered in the new student base? That's when we take the new \$51,000 and divide it by 29 and you come up with the per student cost of direct instruction. So that's where it's covered in the new base. The thing that's not in the current base is the T & E for those people who are currently in the system below the average that the state is currently paying for. If those teachers opt in they will no longer be paid for T & E. Correct? And I realize our direct instruction costs is covered in the \$2175. But the fact that they opt in the new system the state no longer has to pay any T & E based on them and all they will get is the \$51,000 divided by 29 students. Is that correct?

Susan Andrews: The T & E would go down.

Terry England: The teachers themselves would make the conscious decision about which compensation model to participate in.

Lindsey Tippins: Their option is going to have the effect of doing away with anybody that opts in; their T & E is going to go away.

Martha Ann Todd: I thought we discussed the teacher does not opt in at the state level; the teacher's choice to opt in is at the district level and in the new model if the district developed the model we want to make sure the teacher can opt in to the model -- that we were going to fund existing teachers at the T & E level to the district.

Susan Andrews: The T & E pot goes down and that money is replaced by the \$51,000.

Dick Yarbrough: We need to be very clear what we're doing.

Lindsey Tippins: We need to see the model.

Charles Knapp: We need to have a better narrative regarding T & E. Lindsey, Martha Ann, and Susan will sit down with you and walk through and discuss side by side models.

Charles Knapp: We have a homework request from Susan and Martha Ann. Commission members, on a piece of paper, relatively rank the students weights. That is, if you think that K-3 is the most important, or CTAE is the most important, please just write that down for us. Please get that to Martha Ann before we leave today.

Dr. Andrews continued the discussion with page 10 on the topic of Teacher Retirement System and State Health Benefit Plan. The committee has already reached preliminary consensus that these would be outside of the formula because those are the final costs at this point.

## **EQUALIZATION**

This committee reached preliminary consensus at the last meeting that there would be no changes made in the current methodology and calculation of equalization other than using a four year average of property wealth to determine eligibility. John is working on calculating that now. He will look at two, three and four year average just to bring you some data to compare.

## **LOCAL FIVE MILL SHARE**

The staff talked about the connection between the five mill share and equalization and how the property reassessment may sometimes places a greater burden on districts as their five mill share goes up and to use that same four year average with five mill share as well as equalization just to smooth out the budgetary bumps that districts and the state have from time to time.

Martha Ann Todd: Basically whatever equalized property tax digest you use for equalization you have to use for local five mill share; it has to be the same. We didn't specifically discuss that the last time, however, just want to make sure we are clear and that it was pointed out here.

Terry England: As we look at equalization, I would propose a two, three and four year, or three and four year. However, I think three and four year are the two we need to look at the closest.

Lindsey Tippins: The only comment I would make on equalization is that the numbers we are using are already two years old/ Are we using current numbers?

John Dunn: The data is two years old.

Charles Knapp: Does that mean if you take it two additional years beyond the two years you've already got, does that give you a four year?

Martha Ann Todd: If you do a four year model you're not really using last year or year before that. So, however many years you add in to the average, you're just going back further in time to get that. I think what I'm hearing is the two year average might be just as good as the four year average.

Terry England: The three and four are done on a two year cycle.

Martha Ann Todd: We can model it all different ways and get it to you.

Erin Hames: It could just be a data collection issue; we have a lot of places where we're using data from two years ago. Chairman England, your suggestion of a four year average is to smooth. You're saying when assessments are done if you did a two year average you're not going to get that smoothing effect, at least in some counties.

Terry England: It would depend if it's a small county. The smoothing cycle would depend on the small county versus the large county.

Erin Hames: The swing is particularly problematic for really small counties.

Susan Andrews: We will model it on two, three and four and bring it back to you.

Dr. Andrews continued with a discussion on Low Enrollment/Low Density Grants.

### **LOW ENROLLMENT / LOW DENSITY GRANTS**

When we met before, we brought you a model that showed districts less than 3300, districts less than 6 students per square mile. You asked us to go back and look at property wealth of those districts. The proposed methodology uses 2300 as the enrollment benchmark. We would continue to look at districts who have fewer than 6 students per square mile. Then we looked at property wealth per student and we divided it into quintiles. We removed from eligibility those districts which only met one criteria, either the student enrollment or the student density, and were in the top quintile of the tax digest per student. As you can see in your narrative, that did remove Burke county from receiving the grant. We retained the districts that met both criteria, even if they were in the top quintiles. So, if the districts were 2300 and below and had fewer than 6 students per square mile it did not matter in this model if they were in the top quintile of tax digests per student. We know those small enrollment, low density districts are spending a disproportionately amount of that on overhead if they're in a very small district. With low enrollment districts, the formula takes the difference between the 2300 and their enrollment times \$225 per student and you see the calculation there based on square miles for low density districts. And if a district qualifies on both criteria you would calculate those and take the higher of the two.

Because there are some districts who currently receive Sparsity that would not receive funding under this model, we are recommending a hold harmless for one year for those districts.

The results of this model is that 45 districts would earn more funds, which would include 30 of the current districts. Fifteen districts would earn less funding and two districts would no longer earn funding. Those districts are Union County and Montgomery County.

Charles Knapp: Susan, for the benefit of the subcommittee, Sparsity grants currently are prorated to 27%. Right now we got about \$5 million dollars. My first reaction in the numbers we're operating in is a lot of methodology for \$5 million. Full funding would be about \$20 million. If we're serious about this we need to look at that issue of only funding this at 27%.

Susan Andrews: It seem like a small amount of money, but for those very small districts this is very important money.

Alvin Wilbanks: I think it's very important. I concur with you, Mr. Chairman.

Alvin Wilbanks: You have two categories for hold harmless, \$88 million and \$87 million. Would this be \$87 million overall for hold harmless?

Susan Andrews: Yes, but the hold harmless has not been added yet. It's about \$2 million.

Charles Knapp: I think we ought to go ahead and model it based on the current level of appropriation.

### **HOLD HARMLESS**

We know that there's the \$88 million in hold harmless for T & E, and then the hold harmless for the full earnings outside of T & E.

Barbara Hampton: Is that the hold harmless (\$87 million) on your summary?

Charles Knapp: Yes.

Barbara Hampton: But you don't show Sparsity on here, but that's being taken into consideration for the \$87 million?

Susan Andrews: No, it's an additional \$2 million from Sparsity.

Charles Knapp: Well that's a good point which is this sheet does not show equalization and Sparsity.

Susan Andrews: We've got to continue building it out.

Charles Knapp: So that would be an addition to the summary sheet.

Susan Andrews: The maximum we're talking about at this point on this sheet is the \$88 million hold harmless in T & E, the \$87 million you see on this sheet, the \$2 million in Sparsity, and \$66 million that's more than QBE which is a total of that - \$243 million additional funding at this point today. And, we're continuing to work on that amount.

Charles Knapp: The big issue here is do we vote hold harmless on T & E, and the hold harmless overall?

Susan Andrews: The discussion has been that the hold harmless on T & E makes whole that promise to teachers outside the formula. And then if you earn more in this formula because you have more students who are economically disadvantaged or more special education students, you need to hold that amount harmless. To ensure you are not diluting the effect of the formula and that you are providing full T & E hold harmless, you have to make both of those amounts whole.

Charles Knapp: When we say hold harmless overall, have we already put in and allocated the T & E for hold harmless across districts at that point? I think we need some clarity on T & E. We will work on that between now and the next meeting. My own feeling is that part of the hold harmless is important enough wherever we come out on the narrative symbolically and whatever the committee decides on hold harmless in the broader sense should be in there as well.

Susan Andrews: As we build out the spreadsheet it will be clearer.

Charles Knapp: I think that's the right way to do it. At that level, there will be some recommendations coming in from some of the other subcommittee, as well – things we will have to factor in.

Jack Hill: One of the mixed messages we have been sending is that we're going to make some positive changes you're going to like, but we're not going to spend any more money. I do not think anyone believes that. I think it would be a positive thing to say the next new money, it might take us two years, we're going to spend \$250 million to setup a system that will be fair and will be modern and will set us on a path to improve education. That would be a great message to send along with the new money. But to say you can't spend any more money nobody really believes you're going to make any improvements.

Charles Knapp: This gets us starting into the discussion about the other subcommittees and some of the things they're doing. As I know one of the recommendations that's likely to come out of the Teacher Retention Subcommittee is to increase that \$34,000 beginning salary to \$40,000. I asked Susan and John to price that – it's about a \$250 million ticket in and of itself.

## **OTHER ISSUES**

The staff has put together proposals on each of the issues. Dr. Knapp would like to get the proposals out on the table for preliminary consensus.



Dr. Andrews expounded on the other issues. As Dr. Knapp said these are concepts for most of these and if you like the concept then we will begin modeling. If you do not like the concept and do not wish for us to spend time modeling out the concept, please feel free to let us know.

### **CHARTER SYSTEM GRANT**

There are currently 32 approved charter systems in Georgia and an additional 15 are in the process of negotiating the charter system contract with the State Board of Education. And to foster the implementation of school level governance and support innovation in those schools charter systems, charter systems currently receive this charter system grant and the FY16 appropriation is \$14,891,514. The methodology for calculating grant is on page 16 of the narrative document. You can see the charter system earnings are currently capped at \$4.5 million for each of those systems. We are recommending looking at replacing the FTE segments as the multiplier with an enrollment count. And, we looked at generating the same amount of dollars they're currently receiving in QBE. We changed the percentage from 3.785% of the base QBE to 4.033%, which is backing into the current earnings. We support maintaining that current level of funding in keeping the cap at \$4.5 million for each system.

Jack Hill: Why is that better than what we're doing now?

Susan Andrews: Because we are moving away from funding segments to funding enrollment to be consistent.

Charles Knapp: The original allocation was 100 per student? This 4.033 reduces it?

John Dunn: We are currently paying \$87 and this would generate the same \$87.

Kent Edwards: Remind me why it went from the 100 to the 87?

Martha Ann Todd: Austerity cuts.

Committee Member: So if austerity went away would it change or would it be permanently locked into that amount?

John Dunn: If you change the percentage to the \$87 you would have to raise the base. Anytime the base changes, this would change. It wouldn't generate the \$100 for FTE unless the base went up considerably.

Barbara Hampton: I think we all have to remind ourselves that we will come up with a formula that we just absolutely love and it targets everything we want it to target, the beauty of the new formula is that there are no restrictions on what they have to spend the dollars on. We can say we want to emphasize K-3 reading and give dollars to that, but once it gets to the LEA they have complete flexibility how they spend it.

Charles Knapp: I think part of the theory would be in the contracts (strategic waivers) between the charter systems and the strategic waivers. There would be an agreement for example, presumably results and output oriented rather than input oriented about literacy in grades K-3.

### **STATE CHARTER SCHOOL SUPPLEMENT**

We are recommending that we move from the QBE FTE generation of funds to the new student based funding formula so that they would be funded for the students just as traditional schools are funded for the students. On top of that, they receive the charter school supplement, which takes the place of their

local funding. Those calculations would continue to be made. However, they would use enrollment instead of the FTE for their nutrition grant, capital outlay grant and their five mill share. All of that would be on enrollment instead of FTEs.

Barbara Hampton: Even though FTE is segments, they get six segments – that's an enrollment. How much will it change?

John Dunn: It will not change much at all.

### **VIRTUAL STATE CHARTER SCHOOLS**

There are currently three virtual state charter schools and they receive QBE funding based on student enrollment. They are not eligible for the state transportation grant, nutrition grant or capital grants, which are components of state charter school supplement. Virtual state charter schools supplement is currently reduced by 1/3 as prescribed by the current law. The virtual schools local five mill share is also reduced by 1/3 and so we're just proposing to have them earn the formula just like other public schools. We would continue to calculate those supplements as prescribed currently using enrollments instead of FTEs.

Dick Yarbrough: Who governs the virtual charter school?

Erin Hames: There are three under the state charter schools commission – Connections, Provost and Georgia Cyber Academy approved by the commission. Separate from that, the GaDOE offers virtual classes and that's governed by the State Board of Education.

Lindsey Tippins: Have we had issues in the past with retention of students and academic achievement?

Charles Knapp: Yes

Erin Hames: They have a five year contract with specific performance goals which they have to meet in order to gain renewal from the commission.

### **REGIONAL EDUCATION SERVICE AGENCIES (RESA)**

The FY16 appropriation for RESA was \$10,000,000. In addition to the \$10 million RESA were provided \$275,000 to support Positive Behavior Intervention Systems. The members of the Board of Control set an annual dues amount that each participating district pays. A new proposal for consideration is to introduce a more market driven approach to the funding of RESAs. The state would provide funding for director salary, administrative assistant, a finance director-essentially the base level central office model. RESAs would administer a needs survey as they do now to determine specific services needed by their membership, and they would develop a menu of services and costs for those services based on those specific needs and requests of the districts that they serve. Districts, instead of paying dues, would select and purchase those services that the RESAs would offer. The current RESA funds that would not be directly appropriated to RESAs under this model would then be added back to the student base for all districts. So, any money that was recouped by the state for not funding RESAs as we currently do, would go into the base. A change of this magnitude to the operations of RESAs could not occur immediately, certainly not at flip of a switch, RESAs would need time to make this transition. Therefore, we recommend that RESAs would receive hold harmless funding for a period of time that you would determine so they could transition to a new model of funding.

Lindsey Tippins: What is the total funding amount?

Martha Ann Todd: Not sure if a central office amount would apply here. We would have to develop a basic funding amount based on those current RESAs costs. I have not done that yet; we need some direction from the committee. If you model this out you have to determine what that base funding amount will be. We would have to look at all 16 RESAs and figure out what makes sense. You would have some amount left that would go back into the base and it is going raise the base amount.

Lindsey Tippins: Is there a particular problem we are trying to address by the change in direction?

Susan Andrews: We want RESAs to be able to meet the needs of the districts and we know those districts are changing drastically and that the boards of control determine what are those services that they need and what is the true cost of that service.

Martha Ann Todd: This approach could potentially serve to incentivize even more shared services.

Alvin Wilbanks: As a district that probably does not use RESAs very much, I think that would be true of most large districts. I do have a concern about the districts that RESAs are supposed to serve. I appreciate the market style approach. However, I am not sure that would amount to a lot if you swapped what the fees were for the services. I just think if we do this we really need to look at phase-in approach. Large districts use RESAs sparingly. The small districts probably need them the most. I would caution us to remember they are probably the ones that have the least amount of money to buy those services.

Susan Andrews: We bring this to you just as a new approach of looking at RESAs, and a new approach of providing services to the districts.

Jack Hill: Today we provide some base funding for every RESA (about \$600K). You mentioned the boards of control, but you did not mention how much you had talked to them or if a survey was provided to them. In my opinion we should not move forward. However, the entire committee would have to decide. The RESAs were supposed to be the vehicle for more consolidated services, including trying to encourage local systems to consolidate even more some of the administrative functions of the RESAs.

Kent Edwards: I sit on a board of control. When Senator Tippins asked, “where does the responsibility rest?” It does rests with the board of control. And, we have consolidated services and I think I speak for some of the larger systems and some of the smaller systems that we can tailor and customize our services.

Susan Andrews: I hear three that say do not change this. Mr. Chairman, should we proceed?

Charles Knapp: I think since we do not have preliminary consensus that we can pass on this one.

#### **GEORGIA SPECIAL NEEDS SCHOLARSHIP PROGRAM**

This is a scholarship available to special needs students attending a Georgia public school who are served under an Individualized Education Plan. Eligible special needs students that transfer to an authorized participating private school receive an award amount equivalent to their QBE in formula earnings to subsidize the cost of attending the private school. We would like to wait until the School Choice Subcommittee brings their recommendations forward before we make any recommendations on the special needs scholarship.

#### **STATE SCHOOLS**

These are our schools for the deaf and schools for the blind. There is currently not a formula used for determining funding for Georgia state schools. The methodology that is used is described on page 23 and it allows the Division of State Schools to submit a budget request to GaDOE and they work through those requests. We are not recommending any changes to this process at this time. However, we would suggest that the committee recommend a comprehensive review and study of that current model. That review would then bring back some recommendations for future direction in terms of the state school.

### **RESIDENTIAL TREATMENT FACILITIES**

We recommend changing the FTE again, back to enrollment, but also to continue to using the average daily attendance in the funding determinations for residential treatment facilities because their enrollment fluctuate so much during the year that we would still need to look at the average daily attendance. We would use the new proposed Category D special education funding instead of the Category III in the old funding to determine the weights.

Dick Yarbrough: Is there any cost differential?

Susan Andrews: Yes, there is a cost differential, but it is not a significant difference.

Barbara Hampton: Do they get funding from other sources for residential treatment facilities?

Susan Andrews: Yes.

### **PRESCHOOL HANDICAPPED**

Changing the category to the new special education category C and D. We think that most closely match the funding level they currently receive. That would be the only change we would recommend.

Martha Ann Todd: For both the residential treatment facilities and preschool handicapped we've got to collect the data.

Susan Andrews: We have been talking to GaDOE about where they think those students would fall in the new formula.

### **DEPARTMENT OF JUVENILE JUSTICE SCHOOLS**

The schools operating within the Department of Juvenile Justice (DJJ) are collectively considered Georgia's 181<sup>st</sup> school district. Currently the leadership of DJJ determines the funding needs of those students and request those funds through the annual budgeting process in which all state agencies engage. DJJ schools do not receive state funding through DOE or through the current QBE formula. The amount of federal funds to the DJJ schools are listed in the table on page 26. We are recommending that we do not change the current process the way they request and distribute funds to schools in the DJJ.

Charles Knapp: So you've got enough to model on the ten areas?

Susan Andrews: Yes, except RESAs.

Next meeting; October 2, 2015; 10:00-3:00; Capitol 450

Adjourn